

The Austrian Empire found itself in 1761 in one of the most critical stages of its history. The headship of Germany, which descended to the Hapsburgs from Charlemagne, was escaping from Austrian control under the potent influence of Frederick the Great of Prussia, and Austrian finances were involved in an inextricable confusion in which the one patent fact of a deficit was all that was not obscure. The Count of Sinzendorff, one of the leading ministers of the Empire, noticed that the condition under which loans were contracted afforded no opportunity to small capitalists to invest. He presented, therefore, a project by which bills of from 20 to 100 florins were issued, with coupons attached indicating the value from day to day, with interest added at six per cent. Public depositories were authorized to receive these bills in payment of taxes and to disburse them to the creditors of the State at their value at the date of payment, including accrued interest. M. Noel says regarding the effects of this issue :

The public were not slow to receive these "bills with favor and the circulation attained immediately such proportions that the government felt able to dispense with the provision for interest, which, created a heavy charge upon the Treasury. It decided to substitute, "by a system of exchanges from day to day, paper money without interest for the original interest-bearing bills, which represented a particular kind of Treasury bonds ; and in redeeming the last, in order to avoid confusion, it issued notes of five, ten, twenty-five, fifty, and one hundred florins. Public opinion showed itself as favorable to the employment of the new money as to the circulation of the first, and the numerous facilities which it gave to daily transactions gave it a preference even over metallic money.¹

The government could not content themselves with the moderate use of the power in their hands. A second issue of notes was decreed in 1769 and a third in 1771. Commerce was expanding, aided to some extent by the convenience of the new note issues, and the government seized the opportunity for injecting fresh masses of paper into the circulation. These excessive issues provoked a panic in 1797, which

¹ *Banques d Emission en Europe*, I., 340.